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C O N F I D E N T I A L SECTION 01 OF 04 YEREVAN 000204

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SUBJECT: ARMENIA'S POLITICAL FUTURE -- WHERE DO WE GO FROM
HERE?

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Classified By: CDA Joseph Pennington, reasons 1.4 (b,d)

11. (C) SUMMARY: Mounting evidence -- including the latest ODIHR interim report -- has called into question the government's claim that PM Serzh Sargsian won a legitimate first-round majority on February 19. This result, combined with the subsequent heavy-handed use of force and declared State of Emergency, has left PM Sargsian with a severe crisis of legitimacy. Opinions differ as to the PM's personal culpability, as many place the blame with President Kocharian. Given the March 8 Constitutional Court decision validating the official results, there is no chance that the government will back down and submit to a second round -- the result that most Armenians likely view as the fairest outcome. We can predict several possible scenarios, one of which is that the president-elect will defuse the political crisis with bold democratic moves that win back popular support and legitimacy. Just as likely, we fear, is that Sargsian will enter a vicious cycle in which he relies on the police and security services to crack down on dissent, fueling more public outrage, which will deepen the crisis and increase Sargsian's dependency on security forces to hold onto power -- a recipe for either perennial risk of instability or a permanently more authoritarian political environment. If Sargsian takes bold steps down a democratic path, we should reward and encourage that, and facilitate a genuine opening for the legitimate opposition. Given that his professed commitment to reform is largely unproven, however, Sargsian must take the first steps himself. Our course should be calibrated based on PM's demonstration of leadership in a positive direction. We should make clear that, absent such leadership, our current level of partnership with the GOAM will become unsustainable. END SUMMARY.

HARD TRUTHS

12. (C) Our policy deliberations must negotiate among a thicket of harsh realities that leave us with few truly appealing choices:

-- Most observers do not believe PM Serzh Sargsian did not legitimately won a first round majority in the election. We find it increasingly hard to argue.

-- This may not have been his own doing. President Kocharian and other influential, anti-democratic forces may each have had their own reasons for engineering this outcome. However, Sargsian at best has failed to take a strong stand

against it, or the subsequent harsh crackdown.

-- Serzh Sargsian has been an excellent, and pro-Western partner as defense minister, accelerating Armenia's Euro-Atlantic engagement.

-- Sargsian's main rival, former President Levon Ter-Petrossian (LTP), is no angel. His own presidential administration from independence through 1998 grew increasingly authoritarian and corrupt, and he stole the 1996 presidential election to hold onto power. He and his advisers have privately made clear all along that they fully expected the authorities to steal the election, and thus the LTP strategy was always focused more on post-election public demonstrations to force the government from power, rather than a strategy simply to win at the ballot box.

-- Events did not prove the LTP camp wrong regarding regime election behavior. While their confrontational style and rhetoric leave a bad taste, there may have been little alternative. Authorities systematically closed down many of the avenues for the opposition to win through an honest poll on Election Day.

-- LTP is not an isolated extremist. Official figures gave him 21.5 percent (just over 350,000) of votes cast on February 19, and the true figure is doubtless substantially higher. Our best guess would be somewhere between 30-35 percent (490,000 - 570,000 votes). His popular support has only grown in the past two weeks. Many Armenians tell us "it's not about LTP anymore, it's about this government's behavior."

-- Post-election events have made LTP into by far the most legitimate opposition political figure -- more so than all the others combined. The regime's use of force against peaceful demonstrators, the media blackout, and other elements of the crackdown have increased popular outrage, and

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by default made LTP supporters out of many who still dislike the man. If a run-off election were held now, LTP would very likely beat Sargsian. Many Armenians now see LTP as the only one with a chance to break down what they see as the deepening entrenchment of a Karabakhi-led kleptocracy in Armenia, seemingly determined to monopolize every lever of political and economic power.

-- However much we might suspect LTP's motives and methods, during the current election cycle, he and his supporters are predominantly the victims while Sargsian's supporters were the wrong-doers. However, it must also be acknowledged that there was a cadre of perhaps several hundred people -- within the perhaps 20,000 people protesting in front of the French Embassy -- which seemed to be pre-prepared and spoiling for a violent confrontation with police. LTP's most radical lieutenant, Nikol Pashinian, used extreme rhetoric to exhort protesters to fight. LTP distanced himself from this in our subsequent private conversation, but it is very possible that he was aware and approved of this militant cadre in advance.

-- It may indeed be the case that Serzh Sargsian is, in his heart, more progressive and democratic than his longtime friend and close political partner Robert Kocharian. There have been tantalizing hints that give room for hope on this score. It could also be the case that Sargsian desperately needs public legitimacy and Western support in order to have the political strength to oust the most corrupt, noxious, and thuggish elements which are now key pillars of the government.

-- Withholding that support may pull the rug out from under what could be Sargsian's sincere desire to clean house. This may, indeed, have been Kocharian and other influential figures' goal all along -- to ensure that Sargsian's election was so tainted as to make it impossible for Sargsian to

marginalize them in the post-election political constellation.

-- Even if that hypothesis is true, it is probably too late to overcome the damage now. The election is irreparably tainted and Sargsian's legitimacy is in tatters. There may be just enough maneuvering room left for him to break publicly with Kocharian, announce a series of bold gestures that tacitly admit these mistakes, aggressively move to clean up the mess. Sargsian's inclination and stomach for taking this course is unproven. Unlike Kocharian, Sargsian has no reputation for boldness -- quite the contrary. It is nonetheless the approach we have urged to the PM and his advisers.

-- In local perception there is practically no middle ground on which to stand. Almost anything we do will be read locally either as supporting the regime or supporting LTP. Either side will be eager to use and abuse our statements or actions to their own perceived political benefit, and there is little we can do about that.

LIKELY SCENARIOS

13. (C) SCENARIO 1 -- PROTRACTED STALEMATE, INSTABILITY, REPRESSION: We fear the mostly likely scenario over the medium to long term is that Sargsian will go along with regime elements counselling tough measures. Underestimating the size, strength, and depth of public sympathy that has been generated for LTP, Sargsian will attempt to crush the LTP-led opposition through police, security services, and prosecutions, jailing many key LTP lieutenants and possibly LTP himself on politically motivated charges. This will make LTP even more of a hero-martyr of democracy. He will find himself relying ever more heavily on a political crackdown to stay in control, and Armenia will end up much more authoritarian than it has ever been since the Soviet period.

14. (C) SCENARIO 2 -- KOCHARIAN IS CORRECT, OUTRAGE PASSES, STOICISM SETS IN: It may be that -- as President Kocharian predicted to DAS Bryza during his recent visit -- the widespread popular outrage will die down more quickly and comprehensively than we now suspect. Keeping key organizers in prison may over time be sufficient to keep protests from gaining traction, and society may settle back down into the quiescent, semi-authoritarianism that prevailed throughout Kocharian's administration. A type of normalcy will resume, in which the broadcast media remain tightly controlled by pro-regime forces, and various elements of society know where the boundaries are. This is a recipe for stagnation and

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steady deepening of political and economic corruption, behind a window-dressing of democratic platitudes and Westernization -- until the next flashpoint emerges on some future day.

15. (C) SCENARIO 3 -- SARGSIAN IS A VISIONARY LEADER AFTER ALL: The most constructive move Sargsian could realistically make would be to make dramatic steps to promote national reconciliation, and to show his commitment to combat the thuggish and corrupt elements of government. Ending the state of emergency and media blackout are important steps, as would be ending the flagrantly partisan programming now airing on public television. Longer term, management changes in the national television/radio regulatory commission and in the Public Television channel to introduce objectivity and balance would be very positive steps. By prosecuting pro-governmental as well as oppositional figures for election and post-election crimes, while freeing the majority of pro-opposition figures that have been arrested, he could establish fresh credibility. His choice of a new prime minister and cabinet will be an important bellwether of the direction he intends; a good crop of fresh, clean faces would win public approval, while recycling corrupt ones would

deepen public cynicism.

16. (C) SCENARIO 4 -- SARGSIAN FALLS: We have been surprised that several serious, non-opposition political thinkers have independently told us privately that they expect, based on events of the past two weeks, that Serzh Sargsian will be unable to hold power for more than a year or two. This argument holds that the opposition genie is now out of the bottle. Armenians are widely shocked and traumatized by the events of March 1. No Armenian government has before been responsible for suppressing opposition protests so forcefully as to lead to fatalities. An accelerating cycle of reaction and counter-reaction (as postulated in Scenario 1), could get out of Sargsian's control or require a more heavy-handed response than the security forces themselves are prepared to stomach. Some Armenian political observers insist to us that Armenians are different from other post-Soviet societies, in that they have a lower willingness to tolerate state violence. They are proud of their history of standing up against Soviet tanks in 1988 to demand independence, and have a highly developed sense of national unity. Armenian soldiers and police firing on Armenian citizens is seen by many as crossing the Rubicon. Depending on how events unfold, LTP could yet manage to harness enough public outrage to provoke a people-power revolution. Alternatively, in the face of a rising cycle of crises, Sargsian could face the fate that LTP himself faced in 1998, and be ousted by an insiders' coup.

WHAT CAN WE DO?

17. (C) REWARD GOOD BEHAVIOR: In the near term, the best strategy available to us is to support in whatever way we can any genuine efforts from PM Sargsian along the lines of Scenario 3 above. We have repeatedly urged these types of gestures to the PM and his aides, and will continue to do so. We have already and will continue to convey messages back and forth between the government and the LTP camp to the extent the two parties find that constructive.

18. (C) WHILE NOT COMPROMISING OUR PRINCIPLES: Equally as important as encouraging the prime minister and other stakeholders to do the right things, will be for us to tell the truth as we see it. We strongly believe that we do neither the Prime Minister nor Armenian democracy any favors if we soft-pedal our criticism of anti-democratic behaviors, whether from the government or opposition side. We must send firm and clear messages to the PM and other government interlocutors, as well as to the opposition, that we will hold them accountable for the way they manage this crisis. Bad behavior will lead to consequences in U.S. engagement and assistance. In the long run, Armenian public opinion (which tends to have a surprisingly long memory) will hold us accountable for whether we are seen to stand up for democratic principles. We should not allow our hopes for Sargsian's better nature to run too far ahead of demonstrated, tangible commitments on his part.

19. (C) WHEN TO CONGRATULATE SARGSIAN: There was much discussion during EUR DAS Bryza's visit here last week among the Western diplomatic missions about when those capitals which have not formally congratulated Sargsian for winning the presidency should do so. Our view is that a White House congratulations would not be appropriate under the current

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state of emergency and media blackout. We recommend that such congratulations be deferred until A) after the state of emergency is lifted, or B) just before the April 9 inauguration date, whichever comes first. We recommend that the congratulatory message also include messages about the need to address political divisions in Armenia.
PENNINGTON